

**STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: LendingClub Corporation
71 Stevenson Street, Suite 300
San Francisco, California 94105

**DESIST AND REFRAIN ORDER
(For violations of sections 25110 of the Corporations Code)**

The Commissioner of Business Oversight finds that:

1. At all relevant times, LendingClub Corporation (“LendingClub”) is, or was a Delaware corporation with a registered place of business located at 71 Stevenson St., Suite 300, San Francisco, California 94105. LendingClub is purportedly an online market portal that facilitates and acquires loans to consumers and businesses. LendingClub maintains a website at www.lendingclub.com where it represents that it is “... the world’s largest online marketplace connecting borrowers and investors.” LendingClub is a publicly traded company listed on the New York Stock Exchange.

2. In February 2007, LendingClub adopted an employee and consultant stock option plan aimed at providing compensatory benefit to its employees, directors or contractors. On August 15, 2007 and June 23, 2009, LendingClub filed Notices of Issuance of Securities pursuant to Corporations Code section 25102, subdivision (o) to notify the Department of its intention to rely on Corporations Code section 25102, subdivision (o) exemption to offer the stock option plans to its employees, directors or contractors.

3. Beginning October 10, 2008 to about October 31, 2014, LendingClub offered to sell securities in the form of stock options pursuant to its stock option plan totaling at least 40,469,837 options, purportedly valued at \$117,800,000.00 to its employees, directors or contractors.

4. Corporations Code section 25102, subdivision (o) exempts offers and sales of securities issued pursuant to an option plan from registration or qualification under Corporations Code section 25110. However, in order to satisfy this exemption, the issuer must show that: (1) the

1 securities, at the time of issuance, are exempt from registration under the Securities Act of 1933
2 pursuant to Rule 701; (2) that the terms of the option plan are in compliance with rules implemented
3 by the Commissioner pursuant to California Code of Regulations, title 10, sections 260.140.41,
4 260.140.45, and 260.140.46; and (3) the issuer must file a Notice of Issuance of Securities with the
5 Commissioner.

6 5. On October 10, 2008, LendingClub became a reporting company subject to the
7 reporting requirements of section 13 or 15 (d) of the Securities and Exchange Act of 1934. As a
8 result, LendingClub could no longer rely on Rule 701 or Corporations Code section 25102,
9 subdivision (o) as an exemption for qualification of the stock options offered. Consequently, the
10 stock options LendingClub offered its employees, directors or contractors from October 10, 2008 to
11 October 31, 2014 after becoming a reporting company were not qualified or otherwise exempt and
12 were granted in violation of Corporations Code section 25110.

13 6. On or around October 3, 2014, pursuant to Corporations Code section 25507,
14 subdivision (b), and California Code of Regulations, title 10, section 260.507, and in order to protect
15 investors, the Commissioner directed LendingClub to file a notice of violation and offer option
16 holders the right to rescind and repurchase the options issued in violation of Corporations Code
17 section 25110. LendingClub filed the requested application on or around October 14, 2014.

18 7. Pursuant to an order issued by the Commissioner on May 20, 2015, and amended June
19 3, 2015, LendingClub made a "Rescission Offer" to 150 common stock holders and 555 option
20 holders. LendingClub represents that upon completion of the "Rescission Offer" on July 15, 2015,
21 none of its stockholders accepted the "Rescission Offer" and two option holders accepted
22 LendingClub's offer to repurchase 101,000 shares for \$192,310.20.

23 8. The securities in the form of stock options LendingClub offered to its employees,
24 directors or contractors from October 2008 to October 31, 2014 described herein have been offered in
25 California in issuer transactions.

26 9. Corporations Code section 25110 prohibits the offer and/or sale of non-exempt
27 securities in this state that are subject to qualification. The Department has not issued a permit or
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1 other form of qualification authorizing any person to offer and sell the described securities in this
2 state.

3 Based on the foregoing findings, the Commissioner of Business Oversight is of the opinion
4 that the stock options LendingClub offered to employees, directors or contractors pursuant to its
5 employee and consultant stock option plan are securities subject to qualification under the California
6 Corporate Securities Law of 1968 (Corporations Code, section 25000 et seq.) and are being or have
7 been offered or sold without being qualified or exempt, in violation of Corporations Code section
8 25110..

9 Pursuant to Corporations Code section 25532, LendingClub Corporation is hereby ordered to
10 desist and refrain from the further offer or sale in the State of California of securities, including, but
11 not limited to stock options issued pursuant to LendingClub's employee and consultant stock option
12 plans unless and until qualification has been made under said law or unless exempt.

13 This Order is necessary, in the public interest, for the protection of investors and consistent
14 with the purposes, policies, and provisions of the CSL.

15 Dated: December 4, 2015
16 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

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18
19 By _____
20 MARY ANN SMITH
21 Deputy Commissioner
22 Enforcement Division
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